



THRIFT  
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TSP Update

✓ Introduction

✓ Contribution rules

✓ Portability

✓ Participant resources

✓ Investment options

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# TSP Update

✓ Loan program

✓ In-service withdrawals

✓ Post-service withdrawals

✓ Death benefits

✓ Uniformed Services Employment and  
Reemployment Rights Act (USERRA)

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# FERS

- ◆ Basic annuity administered by the OPM
  - Benefit pays @ 1% of salary for each year worked
  - COLA delayed for most until age 62
- ◆ Social Security administered by the SSA
  - Benefit pays percentage of lifetime salary paid into social security - % of salary decreases as income increases
- ◆ TSP component administered by the FRTIB
  - Benefit based on election to contribute and appropriate investment decisions

# CSRS Benefit

- ◆ Defined Benefit Program
- ◆ Benefit based on a formula of years worked and average salary
- ◆ Rewards employees for longevity
- ◆ Provides COLA increases each year indexed to inflation

# TSP Contribution Rules

## FERS

- ◆ Employee Contributions
  - May elect a % or dollar amount
  - 15% maximum this year
  - After 2005, any dollar amount or percentage up to IRS limits (\$14,000 for 2005)
  - Always vested

# TSP Contribution Rules

## FERS

When eligible for agency contributions:

- ◆ Agency Automatic (1%) Contributions
  - Subject to vesting
  - Not based on Employee Contributions
- ◆ Agency Matching Contributions
  - Based on first 5% of Employee Contributions
  - 4% maximum
    - \$1/\$1 for 1st 3%
    - 50¢/\$1 for next 2%
  - Always vested

# TSP Contribution Rules

## CSRS

### ◆ Employee Contributions

- May elect a percentage or dollar amount
- 10% maximum this year
- After 2005, any dollar amount or percentage up to IRS elective deferral limit
- Always vested

### ◆ No Agency Contributions



# Sources Of Pay For TSP Uniformed Services

- ◆ Basic Pay
- ◆ Special Pay(s)
- ◆ Incentive Pay(s)
- ◆ Bonus Payment(s)

# TSP Contribution Rules

## Uniformed Services

### ◆ Employee Contributions

- May elect a percentage only
- 10% maximum this year from basic pay
- After 2005, any percentage
- Any percentage of special, incentive and bonus pays
- Total tax-deferred contributions from all pays not more than the IRS elective deferral limit
  - \$14,000 for 2005
- Tax-exempt contributions w/ tax deferred contributions not more than IRS annual additions limit
  - \$42,000 for 2005

# Elimination of the TSP Open Seasons

- ◆ TSP Open Seasons were a statutory requirement until eliminated by Congress in 2004
- ◆ The last open season is April 15-June 30, 2005
- ◆ Beginning July 1, 2005, participants may start, change or stop contributions at any time
  - TSP elections submitted are effective the following pay period after receipt by the agency

# Over 50 Catch-Up Contributions

- ◆ Catch-up contributions are tax-deferred
  - Contributions not subject to IRS elective deferral limit (\$14,000 for 2005)
- ◆ To become eligible for the catch-up a participant must:
  - Be age 50 or older, or will turn age 50 in the calendar year the contribution is deducted from pay
  - Not be in the 6 month termination period because of a TSP financial hardship in-service withdrawal

## Over 50 Catch-Up Contributions

- ◆ The election is by dollar amount using Form TSP-1C or agency electronic submission
- ◆ Catch-up contributions are made through payroll deduction only and are not matched
- ◆ Elections to start, change, and stop contributions can be made at any time
- ◆ Open season dates do not apply to catch-up contribution elections

# TSP Transfers and Rollovers

- ◆ Active or separated participants may transfer or rollover into the TSP money from:
  - Eligible employer plans under the I.R.C.
    - e.g. 401(k), 403(a), 403(b) or 457(b) governmental plans
  - Traditional individual retirement accounts or annuities (IRAs) under section 408(a) or 408(b) of the I.R.C.
    - Does not include Roth, SIMPLE or education IRAs

# TSP Transfers and Rollovers

## (cont'd)

- ◆ Participant submits Form TSP-60 available from the TSP Web site
  - Participant certifies the amount transferred or rolled over includes tax-deductible/deferred amounts
- ◆ The amount transferred or rolled is allocated according to the current contribution allocation on file
- ◆ The amount will be reflected as employee contributions in the account


The Official TSP Home Page, maintained by FRTIB; 2004-12-14 - Microsoft Internet Explorer

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Address http://www.tsp.gov/ Go


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# THRIFT SAVINGS PLAN

## TSP Headlines


- IRS Form 1099-R
- TSP Open Seasons Eliminated: July 1, 2005
- Your TSP participant statement — December is available




### What's New




### Participant Statements & Highlights



### Account Access



### Calculators



### Returns, Share Prices, & Fund Sheets

#### Civilian

- TSP Features
- Forms & Publications
- Info for TSP Representatives

#### Uniformed Services

- 
- 
-

#### Special Interests

-

The TSP is a retirement savings plan for civilians who are employed by the United States Government and members of the uniformed services. [The Federal Retirement Thrift Investment Board](#), administers the Thrift Savings Plan (TSP). The Web site <http://www.frtib.gov>, provides information about the FRTIB electronic reading room, procurements, and employment opportunities.

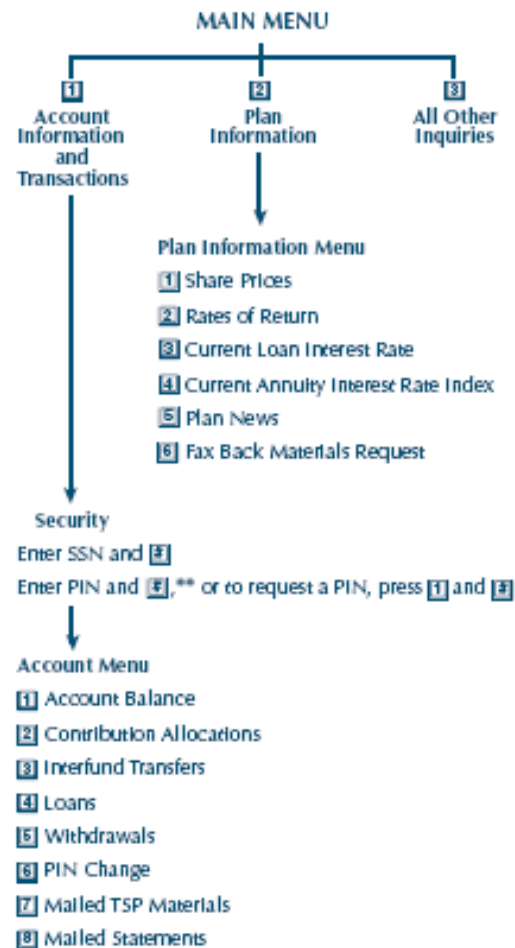
**NOTE:** This site was developed with the [Netscape Navigator](#) browser and is best viewed with [Netscape Navigator 4.78 or higher](#), or [Microsoft Internet Explorer 5.0 or higher](#). It uses JavaScript, tables, and frames which may not display correctly on older browsers. It also uses Secure Sockets Layer (SSL) and 128-bit encryption for accessing personal account information. Older browsers generally cannot support the security features needed to view personal account information and, in some cases, have been known to cause distortion of the information on the screen.

- Contact
- Privacy
- Site Map
- Help
- Lost Participants

Internet



**ThriftLine**  
**1-TSP-YOU-FIRST\***  
(1-877-968-3778)



\* Outside U.S. and Canada: (504) 255-8777 (not toll free).  
After May 31, 2005, call (404) 233-4400 (not toll free).

\*\* If you have both a civilian and a uniformed services account, you will be taken to the account that is specific to the PIN you entered. If you have customized your PIN to be the same for both accounts, you will be asked which account you wish to access.

TSPLF09 (4/2005)

# Contribution Allocation or Interfund Transfer?

When you want to “change” your investments, make sure you make the correct investment election!

## Contribution Allocation

- ✓ Allocates future contributions and loan payments until superseded by new allocation election
- ✓ ThriftLine, Web site or telephone request with TSP record keeper
- ✓ Column 1 of Form TSP-50
- ✓ Change in allocation is effective as of close of business each day based on 12 pm ET cutoff

## IFT

- ✓ One-time transaction; account balance remains as invested until another interfund transfer is made
- ✓ ThriftLine, Web site or telephone request with TSP record keeper
- ✓ Column 2 of Form TSP-50
- ✓ Change in account balance distribution is effective close of business each day based on 12 pm ET cutoff

# TSP Investment Funds

- ◆ Government Securities Investment Fund  
**(G Fund)**
- ◆ Fixed Income Index Investment Fund  
**(F Fund)**
- ◆ Common Stock Index Investment Fund  
**(C Fund)**
- ◆ U.S. Small-capitalization Stock Index Investment Fund  
**(S Fund)**
- ◆ International Stock Index Investment Fund  
**(I Fund)**

# Daily Valuation

- ◆ Accounts are valued each business day using the daily share prices for the applicable investment fund(s)
- ◆ Transactions (e.g. contributions, loans, withdrawals, and interfund transfers) will be processed daily and will involve the purchase and/or sale of shares of the funds

# Determining Share Price

- ◆ After stock and bond markets close each business day, the daily net earnings for each investment fund (net of admin expenses, transaction costs, & investment management fees) are divided by the total number of shares in that fund as of the close of the prior business day to determine the incremental change in the share price for that day
- ◆ The incremental amount, carried to ten decimal places, is added to the prior day's share price

# G Fund

- ◆ Invested in nonmarketable U.S. Treasury Securities with 1 to 4 day maturities
- ◆ Rate is set once a month by the Treasury Department
- ◆ Rate based on closing market prices of all Treasury securities with 4 or more years to maturity
- ◆ No risk of loss (negative returns) in G Fund
- ◆ G Fund share price changes when the net accrued earnings increase the share price by a whole 1¢
- ◆ Managed in-house by the Board

# F Fund

- ◆ Tracks the Lehman Brothers U.S. Aggregate (LBA) bond index fund
- ◆ LBA index represents sectors of the U.S. bond markets
  - U.S. Government: U.S. Treasury and Agencies
  - Corporate
  - Mortgage-backed securities
  - Foreign Government

# F Fund

- ◆ Managed by Barclays Global Investors in the Barclays U.S. debt index fund
- ◆ LBA information and values can be found on the Lehman Brothers web site at [www.lehman.com](http://www.lehman.com)



# C FUND

- ◆ Replicates the Standard & Poor's (S&P) 500 stock index
- ◆ S&P 500 index contains common stocks of 500 companies that best represent the U.S. stock markets
- ◆ The total dollar value of the stocks in the S&P 500 makes up approximately 78% of the value of the U.S. stock markets

# C FUND

- ◆ Managed by Barclays Global Investors in the Barclays equity index fund
- ◆ S&P 500 index information and values can be found at [www.standardandpoors.com](http://www.standardandpoors.com)

# S FUND

- ◆ Tracks the Dow Jones Wilshire Completion (DJW) 4500 stock index
- ◆ DJW 4500 index contains all common stocks (except those in the S&P 500 index) actively traded in the U.S. stock markets on a daily basis
- ◆ The total dollar value of the stocks in the DJW 4500 makes up approximately 24% of the value of the U.S. stock markets

# S FUND

- ◆ Managed by Barclays Global Investors and invested in the Barclays extended market index fund
- ◆ DJW 4500 index information and values can be found at [www.wilshire.com](http://www.wilshire.com) or [www.djindexes.com](http://www.djindexes.com)

# I FUND

- ◆ Replicates the Morgan Stanley's Europe, Australasia, and Far East (EAFE) stock index
- ◆ EAFE contains stocks that cover approximately 85% of the stock markets of the 21 countries included in the index
- ◆ EAFE contains approximately 1,005 stocks that best represent each of the 21 stock markets

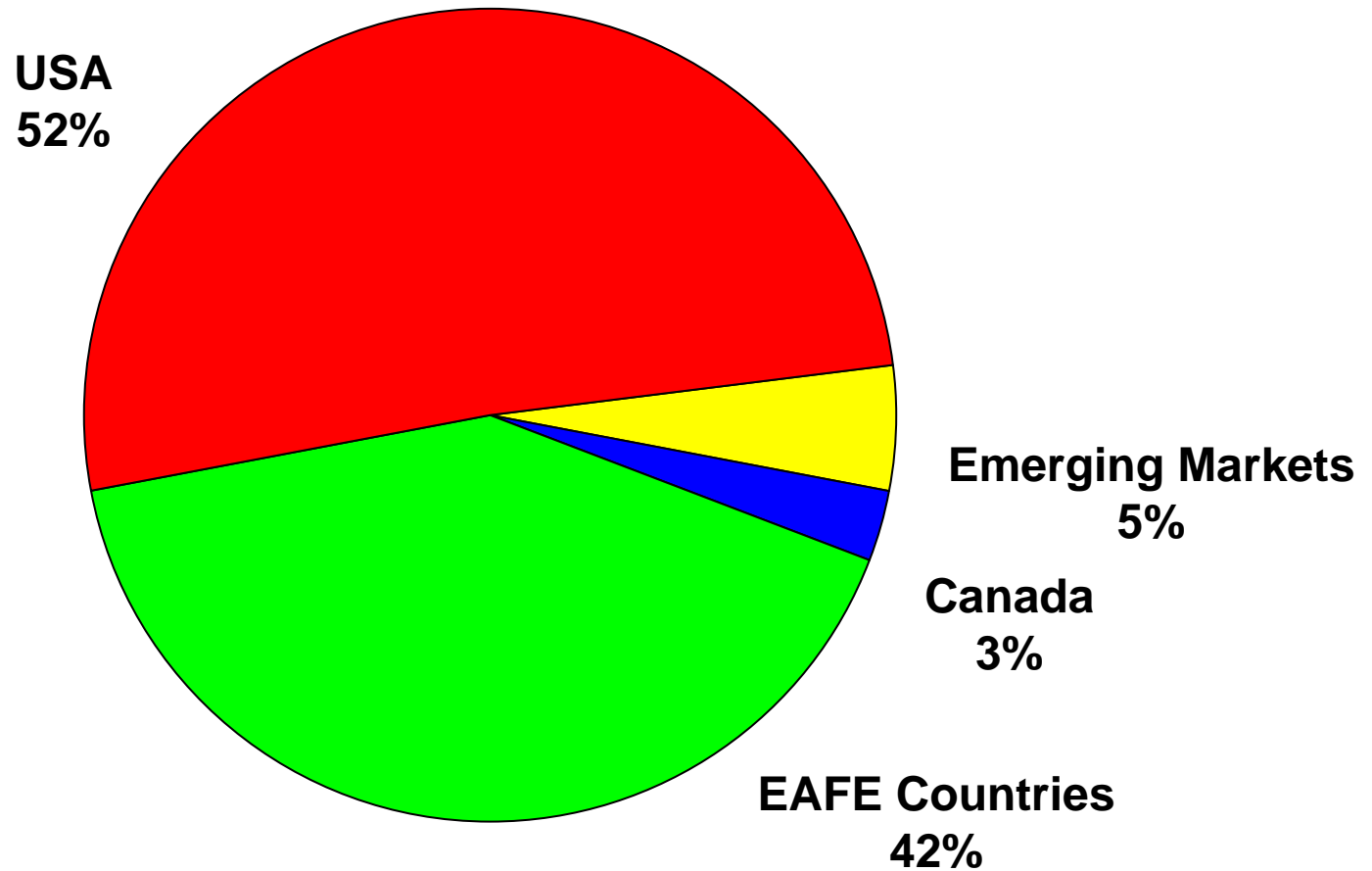
# I FUND

- ◆ I Fund exposes participants to addition of currency risk
- ◆ Managed by Barclays Global Investors and invested in the Barclays EAFE index fund
- ◆ EAFE information and values can be found at <http://www.mscidata.com/>

# World Stock Markets

Allocation of Stock Market Value

December 31, 2004



# Lifecycle (L) Funds

- ◆ In Summer 2005, the TSP will offer the Lifecycle (L) Funds to plan participants
- ◆ The L Funds are based on time horizon; L 2010, L 2020 or L 2030, L Income Funds, and invests in the existing TSP funds



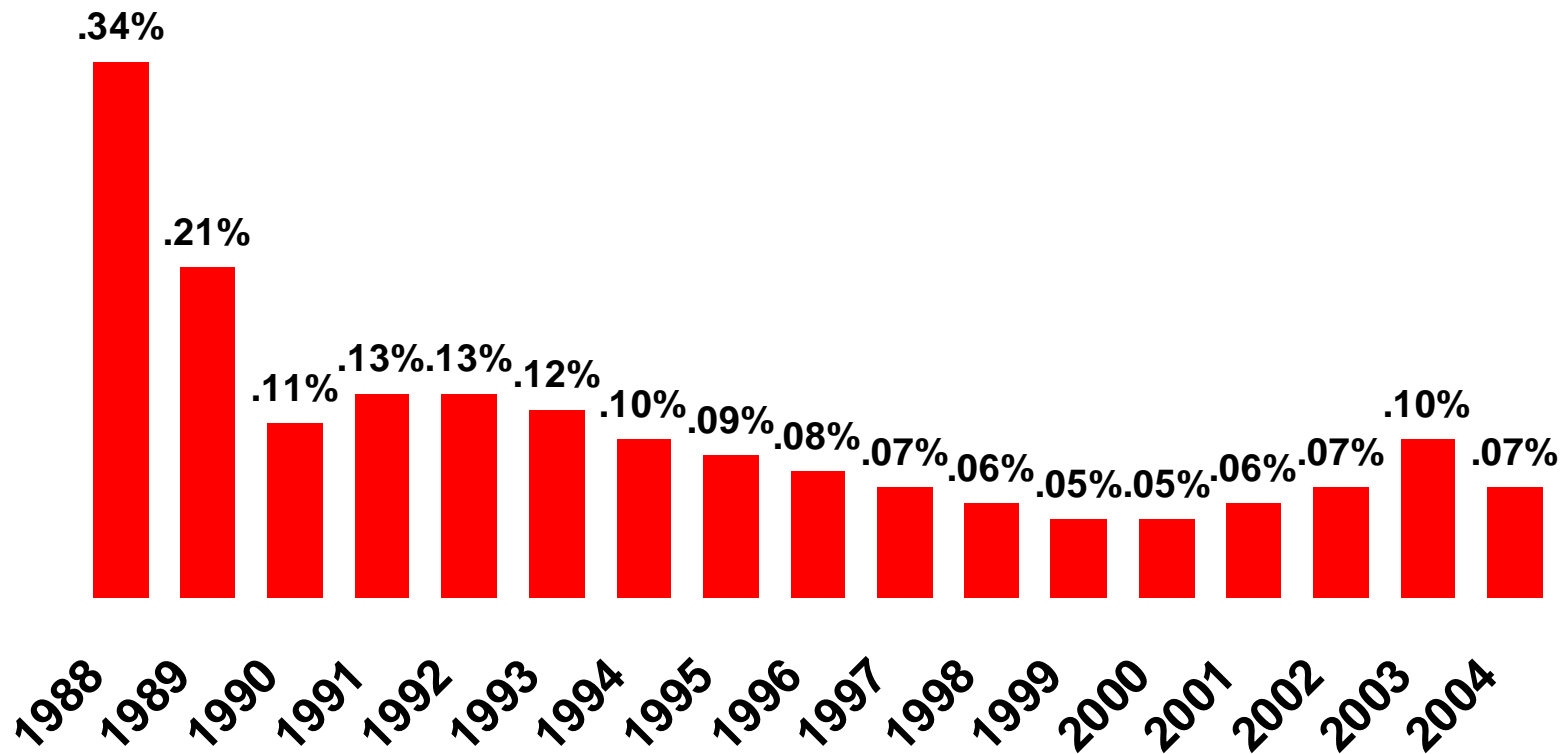
# Lifecycle (L) Funds

- ◆ The L Funds are geared towards participants who do not have the time or feel comfortable making active investment decisions among the TSP funds

# Lifecycle (L) Funds

- ◆ The investment mix among the TSP funds will differ based on the lifecycle selected
  - More stock investment the further the time horizon (e.g. L 2040)
  - More bond investment the closer the time horizon (e.g. L 2010)
- ◆ Investment in the L Fund does not protect the participant from investment losses
- ◆ Information regarding the L Fund will be published by the TSP in Summer-2005

# Thrift Savings Fund Expense Ratio 1988 - 2004





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# Why?



# Knowledge, Interest, Time

- ◆ Many participants do not have
  - Knowledge, or
  - Interest, or
  - Timeto manage their portfolio allocations

# Poor Allocation

- ◆ Poor investment allocation by over 60% of TSP participants
  - 38% invested only in G Fund
  - 13% only in C Fund
  - Another 12% have “barbell” investments – 50% G Fund and one other risky fund

# Return Chasing



- ◆ Some participants are “chasing returns”
- ◆ Investing in the fund with the best return or highest price **last month** or **yesterday**
- ◆ Buying high and selling low



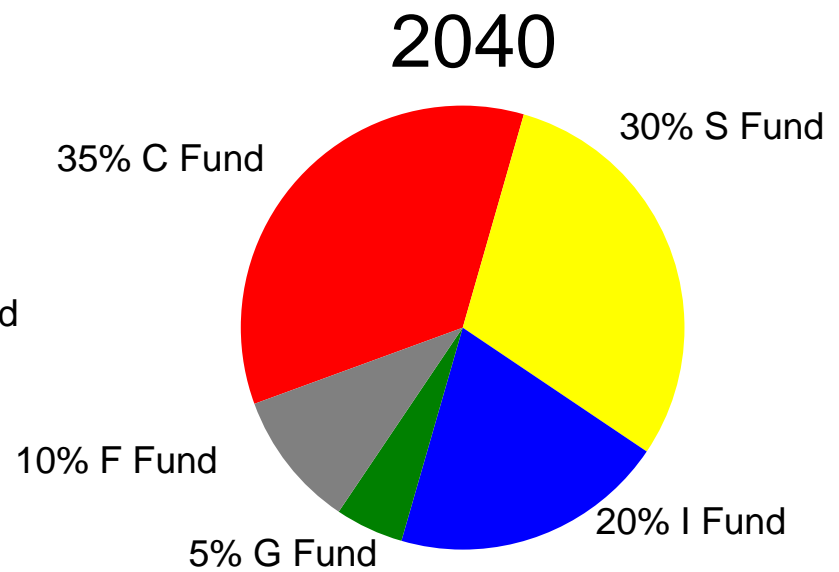
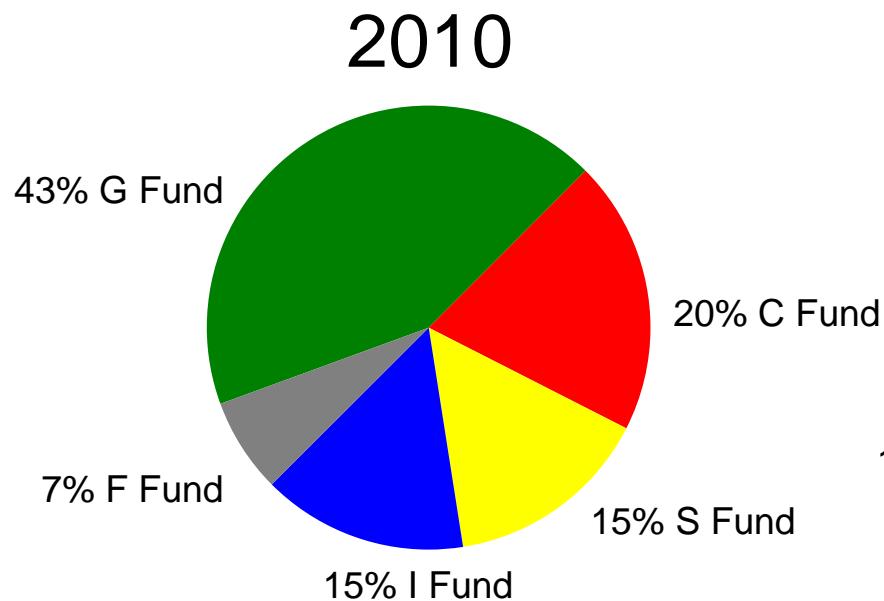
# Not Rebalancing

- ◆ In 2002, only 16% of participants made an interfund transfer
- ◆ Many participants never reallocate their accounts

# The Lifecycle (L) Funds

- ◆ Five funds
  - L Income Fund
    - For those already withdrawing their accounts
  - L 2010 Fund
  - L 2020 Fund
  - L 2030 Fund
  - L 2040 Fund
- ◆ In 2040 the L 2050 is introduced as the L 2010 matures into the L Income Fund

# Sample Lifecycle Fund Allocations

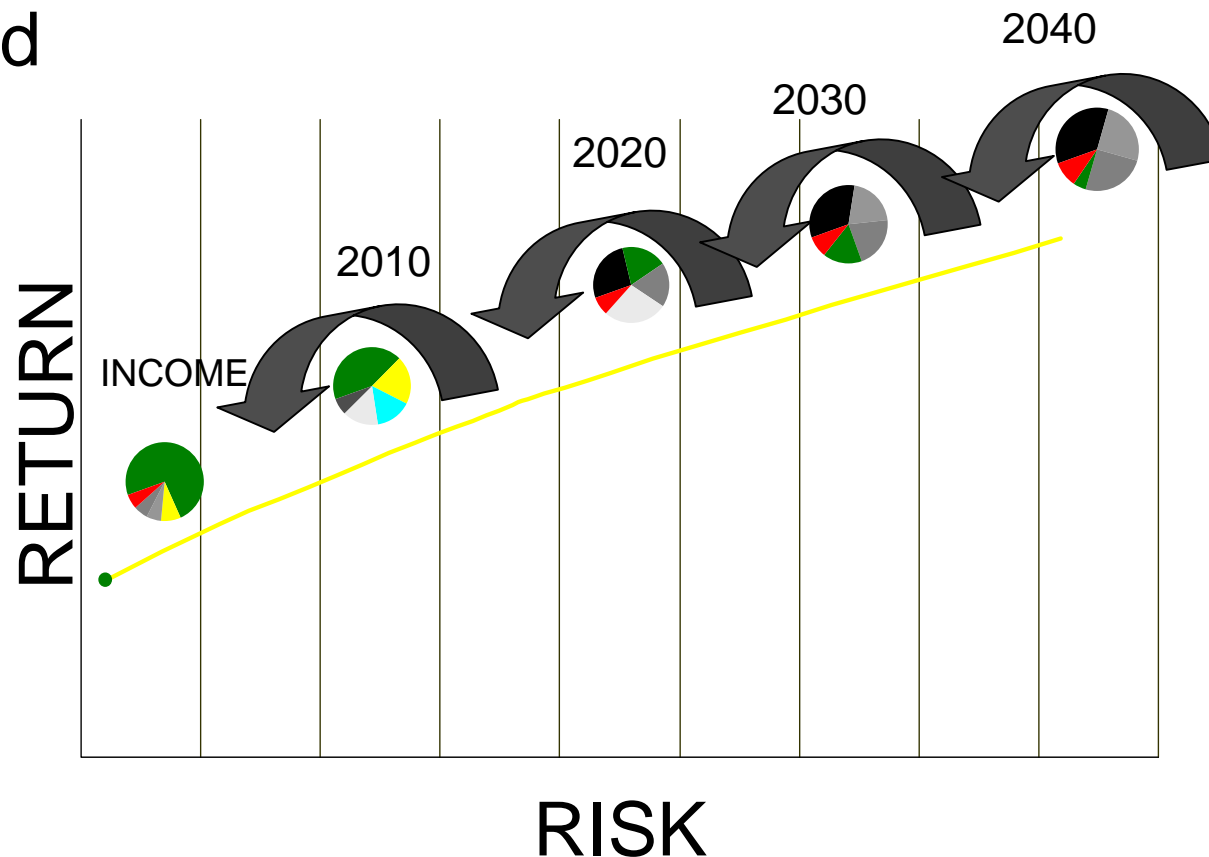


# The TSP Lifecycle Funds

- ◆ Funds with higher target dates, primarily equities (C, S, and I Funds)
- ◆ Income Fund will be largely, but not entirely, invested in fixed income (G and F Funds)
- ◆ Over time, as target date nears, fund allocations will move towards fixed income

# Rolling Down the “Efficient Frontier”

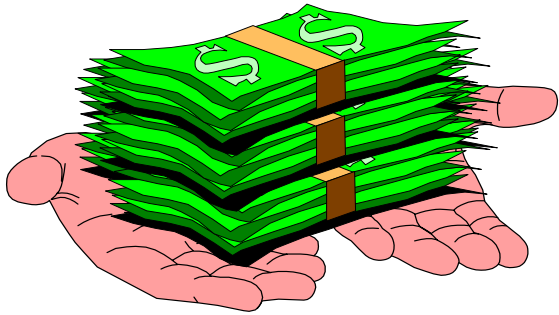
The fund with the farthest target date would “roll down the efficient frontier” until, at its target date, it would merge with the income fund



# TSP Participant Statements

- ◆ Participants can print a copy of their statements from the Account Access section of the TSP web site at the end of each quarter (January, April, July, and October)
- ◆ The statement will reflect transactions, number of shares the participant has in each fund, and dollar value of the shares in each fund
- ◆ Participants who prefer to have statements mailed may request this from the Account Access section of the TSP web site or by calling the ThriftLine

# Types of Loans



*and*



**General Purpose**  
No documentation required

**Residential**  
For purchase or construction  
of a primary residence

# Terms

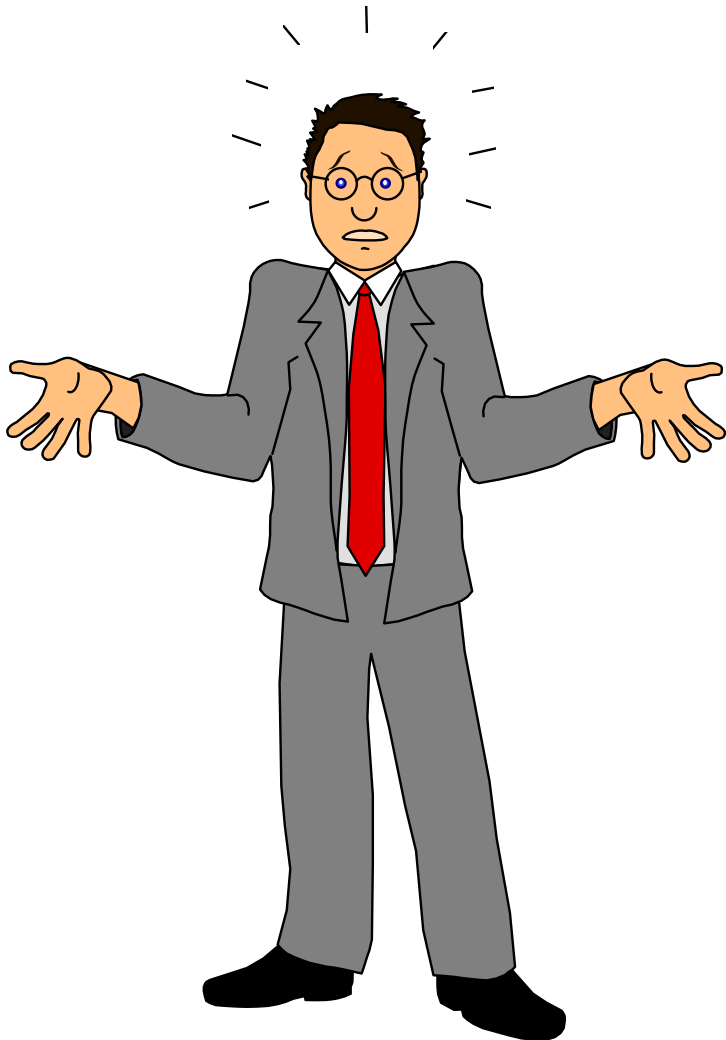
- ◆ Minimum Term: 1 year
- ◆ Maximum Term
  - General purpose = 5 years (new!)
  - Residential loan = 15 years
- ◆ General purpose and residential loans must be repaid by the (5th or 15th) anniversary from disbursement



# New Loan Program Rules

- ◆ May have a maximum of two loans outstanding at one time
  - Participants will be prohibited from having two general purpose loans outstanding
- ◆ 60 day wait when a loan is paid in full to again apply for the same type loan

# Cost of a Loan



- ◆ **\$50.00 fee**
  - Fee deducted from amount of loan disbursed to participant
- ◆ **Interest Rate**
  - Based on G fund rate at time application is processed
  - Fixed for life of the loan
  - Not tax deductible
- ◆ **Both the principal and interest are repaid to your account**

# Applying for a Loan

- ◆ Application can still be submitted using Form TSP-20
  - Processing time does not change from old system
- ◆ Application can also be initiated by using the Account Access section of the TSP Web site
  - Form TSP-20 completed cutting application time in half
  - Entire process completed online for general purpose loan for unmarried and married CSRS participants

# Disbursement of a TSP Loan

- ◆ Payment made by check
  - Based on the address of record on file
  - Address printed on the loan agreement may differ from address the participant provided on the loan application
  
- ◆ Payment via EFT
  - Can request EFT by providing routing information on loan agreement

# Repaying the Loan

- ◆ Payroll deduction based on the schedule of loan payments
  - As long as you are in a pay status, you must make all scheduled payments
- ◆ Participants may send a check to make loan payments in addition to payroll deduction
  - Personal checks, money orders or a cashier's check are accepted
- ◆ Can request multiple voluntary reamortizations

# TSP Taxable Distributions

## ◆ Default

- All scheduled loan payments must be made by the participant
- If a payment is missed or a partial payment received, the participant must make up the payment (via check)
- TSP will send notices as payments are missed and each quarter with cumulative owed amount

# TSP Taxable Distributions

- ◆ Leaving federal service
  - A full or partial payment may be submitted by check during the 90 day period
  - If a partial payment is made the taxable distribution will be declared on the remaining outstanding loan balance
  - Taxable distributions are effective after 90 days from receipt of separation information or generation of the notice

# TSP Taxable Distributions

- ◆ Death in service
  - Effective as of date of death or last loan payment



# In-Service Withdrawals

- ◆ Age-based withdrawals  
(age 59½ or older)
- ◆ Financial hardship withdrawals



# Post-Service Withdrawal Options

- ◆ Automatic cashout
- ◆ Leaving money in the TSP
- ◆ Partial Withdrawal of at least \$1,000
- ◆ Full Withdrawal
  - Single payment
  - Monthly payments
  - Life annuity
- ◆ Mixed Withdrawal



# Leaving Money in the TSP

- ◆ Contributions may not continue, but participant may transfer in amounts from traditional IRAs or eligible employer retirement plans
- ◆ Participant may continue to make interfund transfer and contribution allocation requests
- ◆ Mandatory full withdrawal request must be received no later than April 1st after year age 70½ and separated

# Partial Withdrawal

- ◆ One-time request for the “life” of the account
- ◆ Minimum amount that can be withdrawn is \$1,000
- ◆ Single payment only
  - Payment subject to mandatory 20% tax withholding
- ◆ Participant may request a transfer of all or a portion of the partial payment to an IRA or other eligible plan

# Single Payment Option

- ◆ May request all or a percentage of the balance when making a full withdrawal
- ◆ Single payment is subject to 20% tax withholding
- ◆ Participant may request a transfer of all or any percentage of the single payment to an IRA or other eligible plan
- ◆ Participant may request payment by EFT
  - Mandatory tax withholding rules apply

# Monthly Payments

- ◆ Specify a dollar amount
- ◆ Request TSP compute monthly payment
  - lifetime payment based on IRS uniform table
- ◆ Monthly payment calculator available on the TSP web site

# Monthly Payments

- ◆ Participant may request a change in monthly payments from:
  - Compute my payment to dollar amount
  - Current dollar amount to new dollar amount
  - TSP will have an election period each year to request a change
  - Change effective in January of the following year
  - May change % transferred, or financial institution information at any time

# Monthly Payments

- ◆ Tax withholding rules will be determined when the monthly payment option is processed or when a change in monthly payments occurs



# Summary of Life Annuity Options

- ◆ Single Life

- Level or Increasing Payments, with:

- 10- year certain
    - cash refund feature
    - no added features

# Summary of Life Annuity Options

- ◆ Joint Life with Spouse
  - Level or Increasing Payments, with:
    - 50 or 100% survivor benefit and;
    - cash refund feature

# Summary of Life Annuity Options

## ◆ Joint Life with Other Survivor

(having an insurable interest)

–Level Payments only, with:

- 50 or 100%\* survivor benefit and;
  - \* 100% survivor benefit not available if joint annuitant is more than 10 years younger
- cash refund feature

The TSP Web site has an annuity calculator to estimate annuity payments

# Full Withdrawal

- ◆ Participant may select one or all withdrawal options to apply to his/her entire account
- ◆ Participant may complete Form TSP-70 on the TSP Web site
  - Some participants may submit the completed form on the web site
  - Most participants will need to print and return the completed form to the TSP record keeper for processing

# Full Withdrawal

- ◆ Participant indicates on the Form TSP-70 what percentage of the balance will apply to the option(s) selected

# Spouses' Rights

Classification	Requirement*	Exceptions**
FERS	Notarized spouse signature required. Spouse is entitled to a joint life annuity with 50% survivor benefits, level payments, and no cash refund feature, unless he/she waives this right	Whereabouts unknown or exceptional circumstances TSP-16 required
CSRS	Spouse is entitled to notification by the TSP of the participant's withdrawal election	Whereabouts unknown TSP-16 required

\* If account balance is less than \$3,500 spouse's signature/notice is not required

\*\* Waiver of spouse's signature/notification valid for 90 days from approval



## IRS Early Withdrawal Penalty

If you separate/retire before the year in which you reach age 55 and you withdraw your TSP account in a single payment or as a dollar amount in a series of monthly payments, you will be subject to the 10% early withdrawal penalty on all amounts received before you become age 59½.

NOTE: If you elect to receive monthly payments based on life expectancy or a TSP life annuity, this early withdrawal penalty does not apply. Death benefit payouts are also excluded.

# TSP Death Benefits

## ◆ To Whom

- Based on Form TSP-3, Designation of Beneficiary

- Maintained at TSP record keeper

If there is no TSP-3 on file at the TSP record keeper, then:

- Statutory Order of Precedence

- Spouse, natural and adopted children, parents, estate, next of kin



# TSP Death Benefits

## ◆ How

- Form TSP-17, Information Regarding Deceased Participant
- Paid as a single payment
  - Spouse subject to mandatory 20% Federal tax withholding
  - Other beneficiaries subject to 10% Federal tax withholding (beneficiary can request waiver of tax withholding)

# TSP Death Benefits

## ◆ How (cont)

– Spouse may transfer entitled amount to

- IRA
- Eligible employer plan
- His/her TSP account
- No taxes withheld if transferred

# Elimination of Open Seasons

## Public Law 108-469

- ◆ Effective 1 July 2005
  - Contributions will be made effective no later than the first full pay period after they are filed
- ◆ Does not effect waiting period new employees covered by the Federal Employees' Retirement System must serve
- ◆ Does not effect contribution allocations or interfund transfers
  - They can already be made and any time

# Contact Information

- ◆ [www.tsp.gov](http://www.tsp.gov)
  - Forms and brochures
  - Account access, including interfund transfers
- ◆ Thriftline
  - 1-TSP-YOU-FRST (1-877-968-3778)
  - TDD: 1-TSP-THRIFT5 (1-877-847-4385)
  - (hearing impaired participants)
- ◆ DOJ employees change contribution amounts at [www.nfc.usda.gov](http://www.nfc.usda.gov) - Employee Self Service



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